

Oil + gas  
lease



**Robert L Woodburn**  
**TIOGA COUNTY CLERK**

16 Court St PO Box 307  
Owego, NY 13827  
(607) 687-8660  
Fax: (607) 687-4612

**Instrument Number**  
**\*168274-001\***

No. of Pages: 5  
Delivered By: MUZYL EXPLORATION  
Receipt No. 168274  
Return To:  
MUZYL EXPLORATION LLC  
POB 673  
GAYLORD MI 49734  
DATE: 05/22/2009  
Time: 03:47 PM  
Document Type: EASEMENT/LEASE  
Parties To Transaction: WALTER-MUZYL EXPLORATION

**Deed Information**

Consideration: \$0.00  
Transfer Tax: \$0.00  
RETT No: 02043

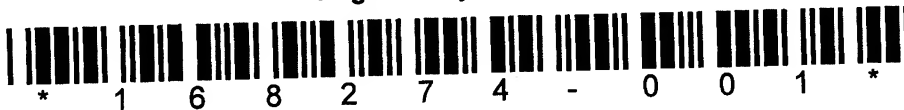
State of New York  
Tioga County Clerk

**Mortgage Information**

Mortgage Amount  
Basic Mtge. Tax:  
Special Mtge. Tax:  
Additional Mtge. Tax:  
Mortgage Serial No.:

This sheet constitutes the Clerk endorsement required by Section 316-A(5) & Section 319 of the Real Property Law of the State of New York. DO NOT DETACH

Tioga County Clerk



# OIL AND GAS LEASE

ORIGINAL

(Pd-up by exh)

This Lease made this 10th day of March, 2009 by and between  
Ward Walter and Marion Walter, 2309 Dutchtown Road, Endicott, NY 137606813

hereinafter called "Lessor"

and Muzyl Exploration, LLC, P. O. Box 673, Gaylord, Michigan 49734, hereinafter called "Lessee".

WITNESSETH: That for and in consideration of One Dollar (\$1.00), paid in hand by Lessee, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and of the premises, mutual covenants and agreements hereinafter set forth, the Lessor and Lessee agree as follows:

**1. LEASING CLAUSE.** Lessor hereby grants, leases and lets exclusively to Lessee all the oil and gas and their constituents, whether hydrocarbon or non-hydrocarbon, underlying the land herein leased, together with such exclusive rights as may be necessary or convenient for Lessee, at its election, to explore for, develop, produce, measure, and market production from the Leasehold, and from adjoining lands, using methods and techniques which are not restricted to current technology, including the exclusive right to conduct geophysical and other exploratory tests; to drill, maintain, operate, cease to operate, plug, abandon, and remove wells; to use or install roads, electric power and telephone facilities, and to construct pipelines with appurtenant facilities, including data acquisition, compression and collection facilities for use in the production and transportation of products from the Leasehold and from neighboring lands across the Leasehold, and such rights shall survive the term of this agreement for so long thereafter as operations are continued; to use oil, gas, and non-domestic water sources, free of cost, to store gas of any kind underground, regardless of the source thereof, including the injecting of gas therein and removing the same therefrom; to protect stored gas; to operate, maintain, repair, and remove material and equipment.

**2. DESCRIPTION.** The Leasehold is located in the Town(s) of Owego, in the County of Tioga, in the State of New York, and described as follows:  
**Tax Map No(s):** TMP 87.00-1-49, 14.37 acres.

and is bounded substantially by lands now or formerly owned as follows:

**On the North By:** G. Glover  
**On the East By:** C. Piterra  
**On the South By:** W. Carmon  
**On the West By:** L. Refici

and being lands conveyed to Lessor by \_\_\_\_\_,  
and recorded in \_\_\_\_\_

of the records of said county, and described for the purposes of this agreement as containing a total of 14.37000 acres, whether actually more or less, and including contiguous lands owned by Lessor.

**3. LEASE TERM.** This Lease shall remain in force for a primary term of Five (5) years from May 27, 2009, (the "effective date") and for as long thereafter as prescribed payments are made, or for as long thereafter as operations are conducted on the Leasehold in search of or production of oil, gas, or their constituents, or for as long as a well capable of production is located on the Leasehold, or for as long as extended by provision herein, or for as long as the Leasehold is used for the underground storage of gas, or for the protection of stored gas.

**4. PAYMENTS TO LESSOR.** Lessee covenants to pay Lessor, proportionate to Lessor's percentage of ownership, as follows:

(A) **DELAY RENTAL:** If operations for drilling are not commenced on the Leasehold or lands pooled or unitized therewith, or any part hereof, on or before one year from the effective date, Lessee shall, to continue this lease in full force and effect, make payment to Lessor a Delay Rental at the rate of Five Dollars (\$ 5.00) per net mineral acre per year payable annually in advance, and continuing thereafter until the commencement of Royalty payments. Delay Rental paid for time beyond the commencement date of Royalty payments shall be credited upon the Royalty payment. Upon conversion to storage, Delay Rental payments shall be reestablished.

(B) **ROYALTY:** To pay Lessor as Royalty an amount equal to one-eighth (1/8) of the gross proceeds realized by Lessee for all oil, gas and the constituents thereof produced and marketed from the leasehold, less compression and arm's length 3<sup>rd</sup> party charges for transporting and/or selling such products, and taxes, if any. Lessee will not make any deduction from Lessor's royalty for any operating expenses related to production or related to transporting between the wellhead and the sales meter.

(C) **DELAY IN MARKETING:** In the event that Lessee does not market producible gas, oil, or their constituents from the Leasehold, Lessee shall continue to pay Delay Rental until such time as marketing is established, and such payment shall maintain this lease in full force and effect to the same extent as payment of Royalty.

(D) **SHUT-IN:** In the event that production of oil, gas, or their constituents is interrupted and not marketed for a period of six months, and there is no producing well on the Leasehold or lands pooled or unitized therewith, Lessee shall thereafter, as Royalty for constructive production, pay a Shut-in Royalty equal in amount and frequency to the Delay Rental until such time as production is re-established and said payment shall maintain this lease in full force and effect to the same extent as payment of Royalty. During Shut-in, Lessee shall have the right to rework, stimulate, or deepen any well on the Leasehold or drill a new well on the Leasehold in an effort to re-establish production, whether from an original producing formation or from a different formation. In the event that the production from the only producing well on the Leasehold or lands pooled or unitized therewith is interrupted for a period of less than six months, this lease shall remain in full force and effect without payment of Royalty or Shut-in Royalty.

(E) **DAMAGES:** Lessee will remove unnecessary equipment and materials and reclaim all disturbed lands at the completion of activities, and Lessee agrees to repair any damaged improvements to the land and pay for the loss of crops or marketable timber.

(F) **MANNER OF PAYMENT:** Lessee shall make or tender all payments due hereunder by check, payable to Lessor, at Lessor's last known address, and Lessee may withhold any payment pending notification by Lessor of a change in address.

(G) **CHANGE IN LAND OWNERSHIP:** Lessee shall not be bound by any change in the ownership of the Leasehold until furnished with such documentation as Lessee may reasonably require. Pending the receipt of documentation, Lessee may elect either to continue to make or withhold payments as if such a change had not occurred.

(H) **TITLE:** If Lessee receives evidence that Lessor does not have title to all or any part of the rights herein leased, Lessee may immediately withhold payments that would be otherwise due and payable hereunder to Lessor until the adverse claim is fully resolved.

(I) **LIENS:** Lessee may at its option pay and discharge any past due taxes, mortgages, judgments, or other liens and encumbrances on or against any land or interest included in the Leasehold; and Lessee shall be entitled to recover from the debtor, with legal interest and costs, by deduction from any future payments to Lessor or by any other lawful means.

(J) **NOTICE:** In the event Lessor considers that Lessee has not complied with any or all its obligations hereunder, both express and implied, Lessor shall notify Lessee in writing, via certified United States mail, setting out specifically in what respects Lessor considers Lessee has breached this contract. Lessee shall then have sixty (60) days after receipt of said notice within which to meet or commence to meet all or any part of the breaches alleged by Lessor. The service of said notice shall be precedent to the bringing of any action by Lessor on said Lease for any cause, and no such

action shall be brought by Lessor until the lapse of sixty (60) days after service of such notice on Lessee. Neither the service of said notice nor the doing of any act by Lessee aimed to meet all or any of the alleged breaches shall be an admission or presumption that Lessee has failed to perform all its obligations hereunder. It is agreed that this lease shall never be forfeited or cancelled for Lessee's failure to perform, in whole or in part, any of its implied covenants, conditions, or stipulations, including payment of any rentals and royalties due under this lease, until it shall have been first finally judicially determined that such failure exists, by a final order of a court of competent jurisdiction and after such final determination, Lessee is given a reasonable time therefrom to comply with any such covenants, conditions, or stipulations.

**(K) DIRECTIONS FOR PAYMENT:** All monies coming due hereunder shall be paid or tendered as follows:  
Direct to lessor at the above address

**5. UNITIZATION.** Lessor grants Lessee the right to pool, unitize, or combine all or parts of the Leasehold with other lands, whether contiguous or not contiguous, leased or unleased, whether owned by Lessee or by others, at a time before or after drilling to create drilling or production units either by contract right or pursuant to governmental authorization or order. Lessee is granted the right to change the size, shape, and conditions of operation or payment of any unit created. Lessor agrees to accept and receive out of the production or the revenue realized from the production of such unit, such proportional share of the Royalty from each unit well as the number of Leasehold acres included in the unit bears to the total number of acres in the unit. Otherwise, drilling, operations in preparation for drilling, production, or shut-in production from the unit, or payment of Royalty or Delay Rental shall have the same effect upon the terms of this Lease as if a well were located on the Leasehold. If the total unitized Leasehold acreage is less than 50 percent of the total Leasehold acreage, Delay Rental will continue to be paid on the non-unitized acreage.

**6. FACILITIES.** Lessee shall not drill a well within 200 feet of any structure located on the Leasehold without Lessor's written consent. Lessor shall not erect any building or structure, or plant any trees within 200 feet of a well or within 25 feet of a pipeline without Lessee's written consent. Lessor shall not improve, modify, degrade, or restrict roads and facilities built by Lessee without Lessee's written consent.

**7. CONVERSION TO STORAGE.** Lessee is hereby granted the right to convert the Leasehold to gas storage. At the time of conversion, Lessee shall pay Lessor's proportionate part for the estimated recoverable gas remaining in the well using methods of calculating gas reserves as generally accepted by the natural gas industry, and Lessor shall be paid Delay Rental for as long thereafter as the Leasehold is used for gas storage or for protection of gas storage.

**8. TITLE AND INTERESTS.** Lessor hereby warrants generally and agrees to defend title to the Leasehold and covenants that Lessee shall have quiet enjoyment hereunder and shall have benefit of the doctrine of after acquired title. Should any person having title to the Leasehold fail to execute this Lease, the Lease shall nevertheless be binding upon all persons who do execute it as Lessor.

**9. LEASE DEVELOPMENT.** There is no covenant to develop the Leasehold within a certain time frame, and there shall be no Leasehold forfeiture for implied covenant to produce. Provisions herein constitute full compensation for privileges herein granted.

**10. FORCE MAJEURE.** This lease and its expressed or implied covenants shall not be subject to termination, forfeiture of rights, or damages due to failure to comply with obligations if compliance is prevented by acts of God, federal, state, or local law, regulation, or decree, or any circumstance reasonably beyond the control of Lessee.

**11. CONTINUING OPERATIONS.** If, at the expiration of the primary term of this lease, there is no production of oil, gas or condensate on the Leasehold or lands pooled or unitized therewith, but Lessee is engaged in operations for drilling, reworking, plugging back or deepening a well thereon, this lease shall remain in force and its term shall continue for so long as such operations or additional drilling, reworking, plugging back or deepening are prosecuted with no cessation of more than ninety (90) consecutive days and if any such operations result in the production of oil, gas or condensate covered hereby, as long thereafter as there is production from the Leasehold or lands pooled or unitized therewith, or the term of this lease is otherwise extended by any of the provisions herein.

**12. CESSATION OF PRODUCTION.** If, within the primary term of this lease, production of oil, gas or condensate on the Leasehold or lands pooled or unitized therewith shall cease, this lease shall continue in force, and the Lessee may commence operations for drilling, reworking, plugging back or deepening of a well or may in lieu thereof commence or resume the payment of delay rentals on or before the anniversary date of the Effective Date of this lease next following the 120th day after such cessation of production. If, after the expiration of the primary term of this lease, production of oil, gas or condensate on the Leasehold, or lands pooled or unitized herewith, should cease, this lease shall not terminate, provided that Lessee commences operations for drilling, reworking, plugging back or deepening a well within ninety (90) days from such cessation, and this lease shall remain in force during the prosecution of such operations, and for so long as such operations are prosecuted with no cessation, more than ninety (90) days, and, if production of oil, gas or condensate results from such operations, then this lease shall remain in force and effect for so long as production continues or operations are being conducted as herein provided, or the term of this lease is otherwise extended by any of the provisions herein.

**13. EXCEPTED WELL(S).** There is excepted and reserved from the operation of this lease any well, at its present depth, now located on the leased premises.

**14. PROPERTY TAXES.** Lessee shall be responsible for 100% of any increase in Lessor's real property taxes directly attributable to Lessee's operations under the lease.

**15. ENTIRE CONTRACT.** The entire agreement between Lessor and Lessee is embodied herein. No oral warranties, representations, or promises have been made or relied upon by either party as an inducement to or modification of this Lease.

**16. SURRENDER.** Lessee may surrender and cancel this Lease as to all or any part of the Leasehold by recording a Surrender of Lease, and if a partial surrender, the Delay Rental provided in the PAYMENTS clause shall be reduced in proportion to the acreage surrendered.

**17. OPTION TO RENEW.** On or before the expiration of the primary term of this Lease, Lessee has the option, but not the obligation, to pay Lessor the sum of \$ 150.00 per net mineral acre covered by this Lease. Upon this payment being made, the primary term of the Lease shall be extended for an additional period of Five (5) years. In the event the primary term of this Lease is extended, the payment of delay rentals shall not be required for the extended primary term and this Lease shall be deemed to be a "Paid-up Lease."

**18. SUCCESSORS.** All rights, duties, and liabilities herein benefit and bind Lessor and Lessee and their heirs, successors, and assigns.

**IF THIS LEASE BECOMES FORFEITED, TERMINATED OR EXPIRES, THE LESSEE, OR IF THE LEASE HAS BEEN ASSIGNED, THE ASSIGNEE IS REQUIRED TO PROVIDE A DOCUMENT CANCELING THE LEASE AS OF RECORD, AT NO COST TO THE CURRENT LAND OWNER. IF THE LESSEE OR ASSIGNEE FAILS TO CANCEL THE LEASE, THE CURRENT LANDOWNER MAY COMPEL A CANCELLATION PURSUANT TO SECTION 15-304 OF THE GENERAL OBLIGATIONS LAW.**

#### **NOTICE TO LESSOR:**

**THIS IS A LEASE OF OIL AND GAS RIGHTS, NOT A SALE, CONTAINING TERMS THAT MAY BE NEGOTIATED BY YOU. YOU HAVE THE RIGHT TO CANCEL THIS LEASE WITHIN THREE BUSINESS DAYS AFTER EXECUTION OF THE LEASE BY NOTIFYING THE LESSEE THAT YOU HAVE CANCELED THIS CONTRACT. IN ORDER TO CANCEL THIS LEASE, YOU MUST EXECUTE A NOTICE OF CANCELLATION IN THE FORM PROVIDED BELOW, MAIL IT TO THE LESSEE AND REFUND ALL AMOUNTS PAID TO YOU BY THE LESSEE WITHIN THE THREE-**

DAY CANCELLATION PERIOD. THE MAILING MUST BE POSTMARKED WITHIN THE THREE-DAY CANCELLATION PERIOD TO BE EFFECTIVE.

NOTICE OF CANCELLATION

\_\_\_\_\_, I/WE HEREBY CANCEL THIS LEASE.

DATED: \_\_\_\_\_

SIGNATURE(S): \_\_\_\_\_

THE PERSON PRESENTING THIS LEASE TO YOU IS \_\_\_\_\_ NOT \_\_\_\_\_ A MEMBER OF CODE OF CONDUCT. IF THE PERSON PRESENTING THIS LEASE TO YOU IS SUBJECT TO A CODE OF CONDUCT, A COPY OF THE CODE OF CONDUCT MUST BE PRESENTED TO YOU WITH THIS LEASE. IF APPLICABLE, THE CODE OF CONDUCT PROVIDES A DISPUTE RESOLUTION MECHANISM FOR ANY DISPUTE THAT YOU MAY HAVE REGARDING THE MANNER BY WHICH THIS LEASE WAS PRESENTED TO YOU. IF YOU HAVE ANY SUCH DISPUTE, YOU MAY INVOKE THE DISPUTE RESOLUTION MECHANISM OF THE CODE OF CONDUCT BY CONTACTING THE PERSON OR PERSONS DESIGNATED IN THE CODE OF CONDUCT. THE FAILURE OF THE LESSEE TO PAY ANY ROYALTIES TO YOU AS REQUIRED UNDER THE TERMS OF THE LEASE FOR A PERIOD OF FOUR CONSECUTIVE MONTHS OR MORE SHALL BE A DEFAULT UNLESS OTHERWISE PROVIDED BY LAW, AND WILL RESULT IN CANCELLATION OF THE LEASE APPLICABLE TO THE TARGET FORMATION OF THE WELL WITHIN THE SPACING UNIT, FOLLOWING WRITTEN NOTIFICATION TO THE LESSEE OF YOUR INTENT TO CANCEL AND SIXTY DAYS FOR THE LESSEE TO CURE THE DEFAULT. IF THE LESSEE HAS A BONA FIDE DISPUTE REGARDING THE GROUNDS FOR CANCELLATION, SUCH DISPUTE AND THE REASONS THEREFOR MUST BE PROVIDED TO YOU IN WRITING OR THE DEFAULT MUST BE CURED WITHIN SUCH SIXTY DAY PERIOD, OTHERWISE THE LEASE SHALL BE CANCELLED.

SEE EXHIBIT "A" ATTACHED HERETO AND MADE A PART HEREOF.

IN WITNESS WHEREOF, and intending to be legally bound, Lessor hereunto sets hand and seal.

Witness:

Janifer Titus  
\_\_\_\_\_

Ward A Walter  
Ward Walter  
Marion Walter  
Marion Walter  
\_\_\_\_\_  
\_\_\_\_\_

Approved by Lessee:

[Signature]  
\_\_\_\_\_

# INDIVIDUAL ACKNOWLEDGMENT

(Within NY State)

STATE OF NEW YORK )  
COUNTY OF Broome ) ss:

On the 10<sup>th</sup> day of March, in the year 2009, before me, the undersigned, personally appeared  
Ward Walter and Marion Walter,  
personally known to me or proved to me on the basis of satisfactory evidence to be the individual(s) whose name(s) is/are subscribed  
to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their capacity(ies) and that by  
his/her/their signature(s) on the instrument, the individual(s), or the person upon behalf of which the individual(s) acted, executed the  
instrument.

My Commission Expires: Aug 25, 2012

JENNIFER L. TITUS  
Notary Public, State of New York  
Qual. in Chenango Co. No. 01TI6192125  
My Commission Expires Aug. 25, 2012

Jennifer L Titus  
Notary Public

## SUBSCRIBING WITNESS ACKNOWLEDGMENT

(Within NY State)

STATE OF NEW YORK )  
COUNTY OF \_\_\_\_\_ ) ss:

On the \_\_\_\_\_ day of \_\_\_\_\_, in the year \_\_\_\_\_, before me, the undersigned, personally appeared  
\_\_\_\_\_,  
the subscribing witness to the foregoing instrument, with whom I am personally acquainted, who, being by me duly sworn, did depose  
and say that he/she resides at \_\_\_\_\_;  
that he/she knows \_\_\_\_\_  
to be the individual(s) described in and who executed the foregoing instrument; that said subscribing witness was present and saw said  
\_\_\_\_\_  
execute the same; and that said witness at the same time subscribed his/her name as a witness thereto.

My Commission Expires:

\_\_\_\_\_  
Notary Public

## INDIVIDUAL ACKNOWLEDGMENT

(Outside NY State)

STATE OF Pennsylvania )  
COUNTY OF Tioga ) ss:

On the 22 day of May, in the year 2009, before me, the undersigned, personally appeared  
Bobby L. Jordan, Landman, Muzgl Exploration, LLC,  
personally known to me or proved to me on the basis of satisfactory evidence to be the individual(s) whose name(s) is/are subscribed  
to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their capacity(ies) and that by  
his/her/their signature(s) on the instrument, the individual(s), or the person upon behalf of which the individual(s) acted, executed the  
instrument, and that such individual made such appearance before the undersigned in the (indicate the city, state and country)  
Lawrenceville, PA, Tioga County, PA.

My Commission Expires:

COMMONWEALTH OF PENNSYLVANIA  
NOTARIAL SEAL  
ZACHARY HURD, Notary Public  
Lawrenceville Boro., Tioga County  
My Commission Expires October 10, 2011

[Signature]  
Notary Public


EXHIBIT "A"


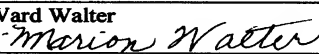
Attached to and by reference made a part of that certain Oil and Gas Lease dated the 10th day of March, 2009, between Ward Walter and Marion Walter as Lessor, and Muzyl Exploration, LLC, as Lessee, covering lands situate in the Town(s) of Owego, County of Tioga, State of New York.

1. In the event of any conflict between the provisions of this exhibit and the printed lease form, the provisions of this exhibit shall control.
2. The location of any well, pipeline, or access road constructed by Lessee on the leased premises shall be subject to Lessor's consent, which consent shall not unreasonably be withheld.
3. Lessee shall restore, in a timely manner, any portion of the leased premises disturbed by its operations to conditions as close as practicably possible to those that existed prior to the commencement of Lessee's operations thereon.
4. Lessee hereby indemnifies Lessor from any and all claims which may arise due to Lessee's operations on the leased premises.
5. Sand and gravel rights are hereby excluded from this lease.
6. **PAID-UP LEASE.** Any other provisions of this lease to the contrary notwithstanding, it is agreed and understood by and between the parties hereto that the consideration paid for this lease, receipt of which is hereby acknowledged, shall be deemed to include and constitute payment in advance for all annual delay rentals as herein provided. However, paragraph 4(a) and other wording contained in this lease pertaining to payment of annual delay rentals are not deleted, and remain in this lease for the purpose of computing and paying delay in marketing and shut-in royalty which may accrue under paragraphs 4(c) and 4(d) hereof, delay rental which may become payable on non-unitized acreage under paragraph 5 hereof, and/or gas storage rentals which may accrue under paragraph 7 hereof.

Signed for identification this 10 day of March, 2009.

Lessee:

  
Bobby L. Jordan

  
Ward Walter  
  
Marion Walter